

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Ingham County Housing Commission	County Ingham
Audit Date September 30, 2004	Opinion Date February 17, 2005	Date Accountant Report Submitted to State: June 14, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

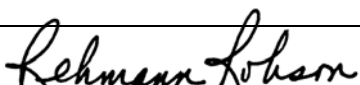
1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) REHMANN ROBSON GERALD J. DESLOOVER, CPA			
Street Address 5800 GRATIOT, PO BOX 2025	City SAGINAW	State MI	Zip 48605
Accountant Signature 			

**INGHAM COUNTY HOUSING
COMMISSION**

Okemos, Michigan

FINANCIAL STATEMENTS

**For The Year Ended
September 30, 2004**



REHMANN ROBSON

Certified Public Accountants

INGHAM COUNTY HOUSING COMMISSION

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REHMANN ROBSON

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

February 17, 2005

Board of Commissioners
Ingham County Housing Commission
Okemos, Michigan

We have audited the accompanying financial statements of the **INGHAM COUNTY HOUSING COMMISSION, an enterprise fund of Ingham County, Michigan**, as of and for the year ended September 30, 2004, as listed in the table of contents. These financial statements are the responsibility of the Ingham County Housing Commission management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the accompanying financial statements present only the Ingham County Housing Commission Enterprise Fund and do not purport to, and do not, present fairly the financial position of Ingham County, Michigan, as of September 30, 2004, and the changes in its financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Ingham County Housing Commission, as of September 30, 2004, and the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

FINANCIAL STATEMENTS

INGHAM COUNTY HOUSING COMMISSION

Statement of Net Assets

September 30, 2004

Assets

Current assets

Cash and cash equivalents	\$ 573,969
Accounts receivable, net	3,843
Total current assets	<u>577,812</u>

Restricted assets

Cash and cash equivalents -	
Customer deposits	18,736
Subsidy receivable for debt service	41,497
Total restricted assets	<u>60,233</u>

Noncurrent assets

Loans receivable	<u>977,381</u>
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Capital assets, net of accumulated depreciation

2,586,031

Total assets

4,201,457

Liabilities

Current liabilities

Accounts payable	103,284
Accrued payroll	26,757
Accrued compensated absences	17,139
Deferred revenue	37,612
Total current liabilities	<u>184,792</u>

Liabilities payable from restricted assets

Customer deposits payable	18,736
Accrued interest payable	21,497
Total liabilities payable from restricted assets	<u>40,233</u>

Noncurrent liabilities payable from restricted assets

Notes payable	<u>20,000</u>
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Total liabilities

245,025

Net assets

Invested in capital assets	2,586,031
Unrestricted	<u>1,370,401</u>
Total net assets	<u>\$ 3,956,432</u>

The accompanying notes are an integral part of these financial statements.

INGHAM COUNTY HOUSING COMMISSION

Statement of Activities For the Year Ended September 30, 2004

Operating revenue

Dwelling rental	\$ 213,546
Intergovernmental revenue:	
HUD operating subsidy	87,317
HUD modernization grant	221,960
HUD Section 8 vouchers	484,505
HUD rehabilitation	683,168
Other income	20,729
Total operating revenue	<u>1,711,225</u>

Operating expenses

Public housing:	
Administration	105,072
Tenant services	1,699
Utilities	66,285
Maintenance and operations:	
Ordinary	124,514
Non-routine	48,812
Depreciation	137,484
Insurance	-
Other expenses	1,106
Housing assistance:	
Administration	62,989
Assistance payments	427,066
Rehabilitation - administration	158,011
Total operating expenses	<u>1,133,038</u>

Operating income	578,187
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Non-operating revenue

Investment income	<u>1,414</u>
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Net income	579,601
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Net assets, beginning of year	<u>3,376,831</u>
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Net assets, end of year	<u><u>\$ 3,956,432</u></u>
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The accompanying notes are an integral part of these financial statements.

INGHAM COUNTY HOUSING COMMISSION

Statement of Cash Flows

For the Year Ended September 30, 2004

Cash flows from operating activities

Receipts from customers and users	\$ 234,275
Receipts from grantors	1,523,147
Payments to suppliers and contractors	(1,256,904)
Payments to employees	<u>(249,386)</u>

Net cash used in operating activities 251,132

Cash flows from investing activities

Interest received	<u>1,414</u>
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Net decrease in cash and cash equivalents 252,546

Cash and cash equivalents, beginning of year 340,159

Cash and cash equivalents, end of year \$ 592,705

Reconciliation of operating income (loss) to net cash used in operating activities:

Operating income	\$ 578,187
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	137,484
Changes in assets and liabilities:	
Accounts receivable	46,836
Loans receivable	(526,107)
Accounts payable	10,067
Other accrued liabilities	4,759
Deferred revenue	(639)
Current liabilities payable from restricted assets	<u>545</u>

Net cash used in operating activities \$ 251,132

The accompanying notes are an integral part of these financial statements.

INGHAM COUNTY HOUSING COMMISSION

Okemos, Michigan

Notes To Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Ingham County Housing Commission (“IHC” or the “Commission”) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the IHC’s accounting policies are described below.

A. The Financial Reporting Entity

The IHC is an Enterprise Fund of Ingham County, Michigan (the “County”) that operates a Low Income Public Housing Program which is subsidized by the Department of Housing and Urban Development (HUD) in accordance with the United States Housing Act of 1937, and is regulated by that Department.

The Commission is party to various contracts with HUD providing for loans and grants to assist the Commission in financing the development and modernization of housing units, annual contributions to pay for the principal and interest on project financing, and operating subsidies to help pay for the operation of the low-income public housing project. The Commission also administers various federal grant programs that provide housing assistance payments and housing rehabilitation assistance to eligible individuals. Federal funds of the Commission are included in the single audit of Ingham County.

B. Measurement Focus, Basis of Accounting and Basis of Presentation

The IHC uses a fund (i.e., a separate accounting entity with a self-balancing set of accounts) to report its financial position and changes in financial position. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions and activities.

The IHC is operated as an enterprise fund, a proprietary fund type, which is used to account for operations that are financed and operated in a manner similar to private business. Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

INGHAM COUNTY HOUSING COMMISSION

Okemos, Michigan

Notes To Financial Statements

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The Commission has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Commission are governmental grants. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

C. Assets, Liabilities and Equity

1. Deposits

The ICHC's cash and cash equivalents include cash on hand, demand deposits and short-term investments with an original maturity of less than three months.

State statutes authorize the ICHC to deposit in the accounts of federally insured banks, credit unions and savings and loan associations and to invest in obligations of the United States, certain commercial paper, repurchase agreements, bankers acceptances and mutual funds composed of otherwise legal investments.

2. Restricted Assets

Certain assets are classified as restricted assets on the balance sheet because their use is limited for specific purposes under HUD regulations.

3. Loans Receivable

Loans receivable consists of loans made under the housing rehabilitation assistance program.

INGHAM COUNTY HOUSING COMMISSION
Okemos, Michigan

Notes To Financial Statements

4. Capital Assets

Capital assets, which include property and equipment, are recorded at cost. Capital assets are defined by the Commission as assets with an individual cost of more than \$3,000 and an estimated useful life in excess of two years. Donated property and equipment are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend their lives are charged to expense when incurred.

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Building and improvements	40
Equipment	7-10

2. DEPOSITS

At September 30, 2004, the carrying amount of the ICHC's cash and cash equivalents were composed of the following:

	<u>Current</u> <u>Assets</u>	<u>Restricted</u> <u>Assets</u>	<u>Total</u>
On deposit with bank	\$ 573,969	\$ 18,586	\$ 592,555
Cash on hand	<u>-</u>	<u>150</u>	<u>150</u>
Total deposits	<u>\$ 573,969</u>	<u>\$ 18,736</u>	<u>\$ 592,705</u>

The bank balance of the funds "on deposit with bank" as of September 30, 2004 was \$605,915 of which \$200,000 was covered by federal deposit insurance and \$405,915 was uninsured and uncollateralized.

INGHAM COUNTY HOUSING COMMISSION

Okemos, Michigan

Notes To Financial Statements

3. HUD ANNUAL CONTRIBUTION RECEIVABLE

The following is a summary of the HUD Annual Contribution Receivable for debt service, which is recorded as accrued interest payable in the accompanying financial statements, as of September 30, 2004:

<u>Year Accrued</u>	<u>Annual Contribution Permanent Note (Modernization)</u>
1988-2001	\$ 21,497
2002-2004	<u>-</u>
	<u>\$ 21,497</u>

The "Subsidiary Receivable for Debt Service" on the financial statements also includes an amount for notes payable of \$20,000 at September 30, 2004.

4. CAPITAL ASSETS

Changes in the components of the capital assets are summarized as follows:

	<u>Balance October 1, 2003</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance September 30, 2004</u>
Capital assets not being depreciated:				
Land	\$ 327,078	\$ -	\$ -	\$ 327,078
Capital assets being depreciated:				
Buildings and improvements	4,860,128	-	-	4,860,128
Equipment	217,902	-	-	217,902
Subtotal	<u>5,078,030</u>	<u>-</u>	<u>-</u>	<u>5,078,030</u>
Accumulated depreciation				
Buildings and improvements	2,508,256	121,503	-	2,629,759
Equipment	173,337	15,981	-	189,318
Total accumulated depreciation	<u>2,681,593</u>	<u>137,484</u>	<u>-</u>	<u>2,819,077</u>
Total capital assets being depreciated - net	<u>2,396,437</u>	<u>(137,484)</u>	<u>-</u>	<u>2,258,953</u>
Business-type activities capital assets - net	<u>\$ 2,723,515</u>	<u>\$ (137,484)</u>	<u>\$ -</u>	<u>\$ 2,586,031</u>

INGHAM COUNTY HOUSING COMMISSION
Okemos, Michigan

Notes To Financial Statements

5. PERMANENT NOTES

Long-term debt of the Commission consists of the following:

	Balance October 1, <u>2003</u>	<u>Increases</u>	<u>(Decreases)</u>	Balance September 30, <u>2004</u>	Due Within <u>One Year</u>
Permanent notes (modernization)	\$ <u>20,000</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>20,000</u>	\$ <u>-</u>

Interest payable on this note as of September 30, 2004, is \$21,497.

A debt service requirement is not available for the Commission's HUD permanent note. This note is guaranteed by the Federal Government. The Commission has entered into an Annual Contributions Contract with the U.S. Department of Housing and Urban Development (HUD) under provisions of the United States Housing Act of 1937. In accordance with this contract, the Commission receives annually a contribution from the Federal Government for debt service.

6. RISK MANAGEMENT

Through the County, the ICHC is self-insured for workers' compensation claims up to \$300,000 per occurrence and insured for the amount of claims in excess of that limitation up to a maximum of \$5 million.

Also through the County, the ICHC participates in the Michigan Municipal Risk Management Authority (MMRMA) for general and automobile liability, motor vehicle physical damage and property coverage. Under most circumstances, the maximum loss retention per occurrence is as follows:

<u>Type of Risk</u>	<u>Maximum Retention Per Occurrence</u>
General and automobile liability	\$150,000
Motor vehicle physical damage	\$ 16,000 per vehicle \$ 31,000 per occurrence
Property coverage	\$ 11,000

Further information and disclosures regarding risk management is provided in the County's comprehensive annual financial report.

INGHAM COUNTY HOUSING COMMISSION
Okemos, Michigan

Notes To Financial Statements

7. EMPLOYEE RETIREMENT SYSTEM

ICHC employees participate, along with other Ingham County employees, in the Michigan Municipal Employees Retirement System. The plan is a multiple employer defined benefit plan, administered by the State of Michigan. Further information regarding the Ingham County plan including detailed trend information is presented in the County's comprehensive annual financial reports, which are available to the public.

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REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP



February 17, 2005

To the Board of Commissioners of the
Ingham County Housing Commission
Okemos, Michigan

We have audited the financial statements of Ingham County Housing Commission for the year ended September 30, 2004, and have issued our report thereon dated February 17, 2005. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under Auditing Standards Generally Accepted in the United States of America

As stated in our engagement letter dated January 12, 2005, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of Ingham County Housing Commission. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we advised management about the appropriateness of accounting policies and their application. The significant accounting policies used by Ingham County Housing Commission are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by Ingham County Housing Commission during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future. We evaluated the key factors and assumptions used to develop the useful lives of those assets in determining that they are reasonable in relation to the financial statements taken as a whole.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on Ingham County Housing Commission's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by Ingham County Housing Commission, either individually or in the aggregate, indicate matters that could have a significant effect on Ingham County Housing Commission's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Ingham County Housing Commission's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing our audit.

This letter and the accompanying memorandum are intended for the use of the Board of Commissioners, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style with a large initial 'L' and 'J'.

Ingham County Housing Commission

Comments and Recommendations

For the Year Ended September 30, 2004

During our audit we became aware of a certain issue regarding internal control and financial reporting. This memorandum summarizes our comments and suggestions regarding these matters. This memorandum does not affect our report dated February 17, 2005 on the financial statements of Ingham County Housing Commission.

Credit Card Policy

The Housing Commission utilized a credit card to make purchases in fiscal year 2004 without an adopted policy as required by Public Act 266 of 1995. The Commission is currently reviewing a proposed policy for adoption. We recommend that the Commission adopt a policy that incorporates all of the provisions of the Act including matters related to possible approval by the County Board of Commissioners.

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